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SIPDIS

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SUBJECT: NEW GOVERNOR FOR BANGLADESH BANK

Classified By: Political Counselor Dundas McCullough; reason 1.4(d)

1. (U) Dr. Salehuddin Ahmed assumed command on May 2 as the new Governor of the Bangladesh Bank, the central bank of Bangladesh. Dr. Salehuddin was previously the managing director of the Palli Karma Sahayak Foundation (PKSF), a non-profit organization known for its work in micro-finance. He was appointed for a standard four-year term.

2. (U) Dr. Salehuddin succeeds Dr. Fakhruddin Ahmed, whose term expired on April 30. Fakhruddin, aged 65, was subject to mandatory retirement. In a surprise move, the cabinet rejected a proposal by Finance Minister Saifur Rahman to raise the retirement age for the Governor to 67, so as to allow the respected Dr. Fakhruddin to remain in his post.

3. (C) Although the initial reaction among bankers and economists was favorable, the 56 year old Dr. Salehuddin was seen by many as a surprise choice; he was not on most people's short list of prospective candidates. Bankers we spoke with spoke well of his private sector experience and noted positively that he had been trained in the Pakistani civil service. Lack of central bank experience was not a concern, they said, noting that none of the previous governors had had prior central bank experience either.

4. (U) Dr. Salehuddin's background is principally in the development sector. In addition to working with PKSF since 1996, he served a year as Director General of the NGO Affairs Bureau (1995-1996) and two years as Director General of the Bangladesh Academy for Rural Development (1993-1995). An economist by training, he taught at Dhaka University in the early 70's.

5. (C) Comment: An overconfident Rahman may have underestimated opposition from some Ministers whose own banking interests were affected by Fakruddin's efforts to improve bank regulation, limit the terms of board members of private sector banks, and privatize the national commercial banks. Sal3huddin does not have the markings of a maverick. His government service, including as the head of the notoriously politicized NGO Affairs Bureau, overlaps neatly with BNP rule. End comment.

CHAMMAS